

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF ONTONAGON	County ONTONAGON
Audit Date 3/31/05	Opinion Date 9/7/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

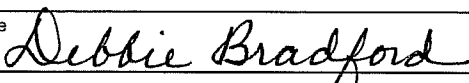
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELDEN AVENUE	City HOUGHTON	State MI	ZIP 49931
Accountant Signature 			Date 9/30/05

VILLAGE OF ONTONAGON
ONTONAGON COUNTY, MICHIGAN
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION

March 31, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Ontonagon as of and for the year then ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Ontonagon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Ontonagon as of March 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 7, 2005 on our consideration of Village of Ontonagon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Village of Ontonagon's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Financial Information listed in the table of contents and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Ontonagon. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

September 7, 2005

Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

This section of the Village of Ontonagon's annual Financial Report presents the Management Discussion and Analysis of the Village's financial activities during the fiscal year ended March 31, 2005. The analysis focuses on the Village's financial performance as a whole. It is intended to be read as part of the Village's financial statements, which immediately follow this section.

Because the Village of Ontonagon is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Village's financial position and results of operations.

Financial Highlights

The Village of Ontonagon budgeted funds ended the year within budget. Total expenses for governmental activities totaled \$1.9 million, this includes the M-64 Bridge project. Total expenses for business-type activities totaled \$1.7 million. The year end fund balance for the General Fund was \$607,560. The Water Fund, while still under stress, is improving its financial position.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Village's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Village as a whole and represent an overall view of the Village's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the Village is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Village's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the Village's net assets is one way to determine if the financial position of the Village is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Village.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

Governmental Activities - Most of the Village's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

Overview of the Financial Statements - Continued

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Village of Ontonagon, the following funds meet this requirement:

- General Fund
- Capital Projects - M-64 Bridge project

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - The Village's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Village's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the General Fund, Special Revenue Funds, and Proprietary Funds.

Governmental Funds - The Village's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Village's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Village's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

Overview of the Financial Statements - Continued

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Village uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Village's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

Internal service funds provide services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Village of Ontonagon Equipment Fund is the only internal service fund.

Component Units - The Village has two component units. Component units are separate legal entities for which the Village has some level of financial accountability. Component units are shown in a separate column. The Village of Ontonagon's component units including Ontonagon Memorial Hospital and the Downtown Development Authority. More information about the component units can be found in the Notes.

Summary of Net Assets

	Governmental Activities	Business-type Activities
Assets		
Current and other assets	\$ 1,666,106	\$ 249,998
Restricted investments	0	801,523
Capital assets - Net of accumulated depreciation	1,821,920	22,383,564
Total Assets	<u>\$ 3,488,026</u>	<u>\$ 23,435,085</u>
Liabilities		
Current liabilities	\$ 144,422	\$ 280,431
Long-term liabilities	415,842	10,022,000
Total Liabilities	<u>560,264</u>	<u>10,302,431</u>
Net Assets		
Invested in property and equipment - net of related debt	1,482,596	(607,734)
Contributed Capital	248,780	12,724,298
Restricted for debt service	0	718,966
Unrestricted	1,196,386	297,124
Total Net Assets	<u>2,927,762</u>	<u>13,132,654</u>
Total Liabilities and Net Assets	<u>\$ 3,488,026</u>	<u>\$ 23,435,085</u>

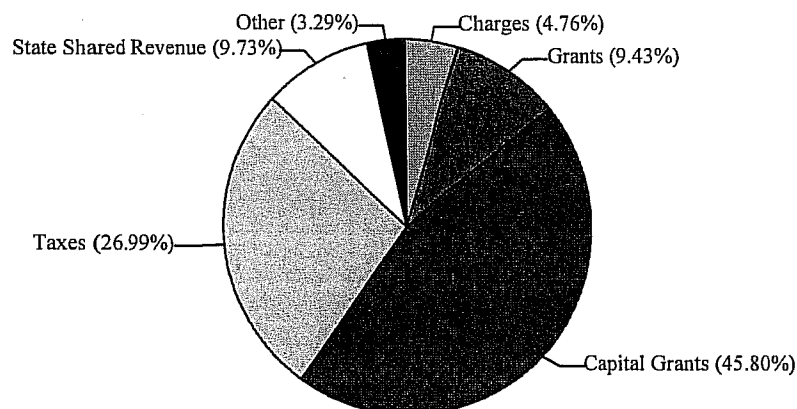
Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

Results of Operations

	Governmental Activities	Business-type Activities
<u>Revenues</u>		
Program Revenue:		
Charges for services	\$ 89,072	\$ 1,086,063
Grants and contributions	176,581	0
Capital grants and contributions	857,695	0
General Revenue:		
Property taxes	505,363	0
State shared revenue	182,288	0
Other	61,546	435,923
Transfers	0	195,000
Total Revenue	1,872,545	1,716,986
<u>Functions/Program Expenses</u>		
General government	137,956	0
Public safety	87,395	0
Public works	1,305,587	1,481,655
Recreation and culture	80,347	0
Community services	33,794	0
Other	171,883	0
Transfers	195,000	0
Total Expenses	2,011,962	1,481,655
Change in Net Assets	(139,417)	235,331
Net Assets - Beginning	3,067,179	12,897,323
Net Assets - Ending	\$ 2,927,762	\$ 13,132,654

The following two charts highlight the Village's governmental activities by revenues and expenses.

Revenues-Governmental Activities

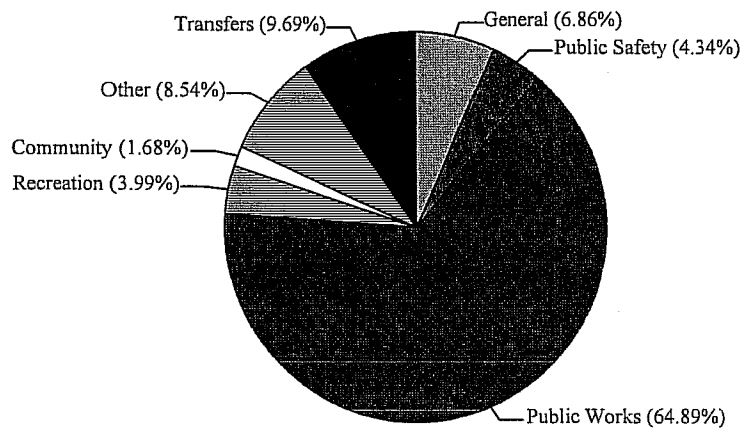


Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

The most significant portions of the revenues for all governmental activities of the Village comes from property taxes and the M-64 grant revenues. The Village's operating millage was 12.50. The Village charter allows the Village to levy up to 20.0 mills for operations.

The federal and state revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

Expenses-Governmental Activities

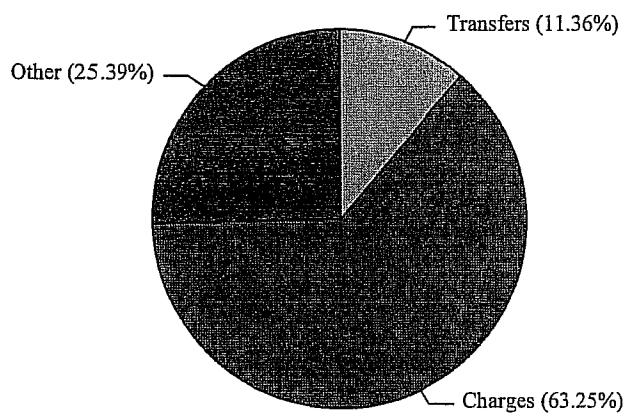


The general area expenses represent village hall activities. The major, local and road expenses are included in the public works area. Marina expenses are included in the recreation.

Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

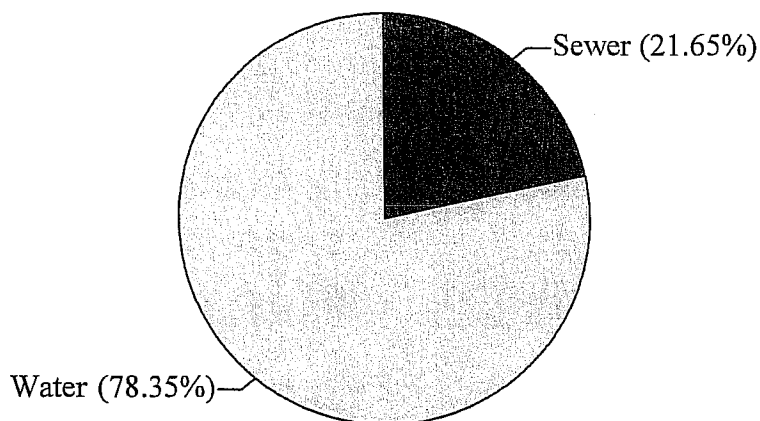
The following two charts highlight the Village's business-type activities by revenues and expenses.

Revenues-Enterprise Funds



The "Other" Revenue is mainly from the settlement of a lawsuit, and is an unusual and one-time occurrence.

Expenditures-Enterprise Funds



Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

Financial Analysis

Governmental Funds: The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined unreserved fund balances of \$1,208,594.

The General Fund is the main operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$607,560. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 81% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$62,274 during the fiscal year. Key elements of this decrease are the reduction of state shared revenues and the increase in the cost of employee benefits.

Proprietary Funds: The Village's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Fund equity at the end of the year amounted to \$23,435,640. Of this amount, \$607,734 was invested in capital assets, net of related debt, \$12,724,298 is contributed capital from federal and state grants, net of amortization, \$718,966 is restricted for debt service and \$297,123 was unrestricted.

Budgetary Highlights

During the year ended March 31, 2005, the Village amended the budget twice. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted level effort required for various maintenance activities in the different funds.

Capital Assets and Debt Administration

The Village's investment in capital assets for the governmental and business-type activities as of March 31, 2005, amounts to \$30,125,571. This investment in capital assets including land, buildings, improvements, machinery and equipment. There was an addition to the water fund assets representing the final costs on the water project in the amount of \$46,917. The equipment fund purchased a plow truck/sander in the amount \$23,500.

Additional information on the Village's capital assets can be found starting on page 27 of this report.

Village of Ontonagon
Management's Discussion and Analysis
March 31, 2005

Capital Assets and Debt Administration - Continued

Long-term debt: At the end of the current fiscal year, the Village had total debt of \$10,620,520. This total amount is backed by the full faith and credit of the Village. The Village's total debt increased by \$200,000 during the fiscal year due to refunding of the USDA-Rural Development water bonds. The Village refunded these water bonds with Michigan Municipal Bond Authority to take advantage of a lower interest rate and a shorter term. The new bonds have an interest rate of 2.125% versus the 4.5% and 4.25% interest rate on the original bonds. The new bonds have a term of 30 years versus the 40 year term of the original bonds. The expected savings in interest expenses over the 29 years is estimated at 4.9 million.

Additional information on the Village's long-term debt can be found starting page 29 of this report.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances. If you have questions about this report or need additional information, contact the Village Manager at 315 Quartz Street, Ontonagon, Michigan 49953 or call 906-884-2305.

VILLAGE OF ONTONAGON
STATEMENT OF NET ASSETS

March 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,480,686	\$ 140,006	\$ 1,620,692	\$ 611,786
Receivables	153,456	109,451	262,907	1,765,700
Inventories	-	-	-	210,375
Prepaid expenses	-	-	-	56,397
Internal balances	(541)	541	-	-
Due from other governmental units	32,505	-	32,505	-
TOTAL CURRENT ASSETS	1,666,106	249,998	1,916,104	2,644,258
NONCURRENT ASSETS:				
Restricted cash	-	801,523	801,523	337,403
Capital assets	4,232,957	25,892,614	30,125,571	5,762,574
Less: accumulated depreciation	(2,411,037)	(3,509,050)	(5,920,087)	(4,198,997)
TOTAL NONCURRENT ASSETS	1,821,920	23,185,087	25,007,007	1,900,980
TOTAL ASSETS	\$ 3,488,026	\$ 23,435,085	\$ 26,923,111	\$ 4,545,238
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 140,059	\$ 35,431	\$ 175,490	\$ 2,007,693
Due to other governmental units	363	-	363	1,119
Bonds payable, current maturities	-	245,000	245,000	30,420
Note payable, current maturities	4,000	-	4,000	192,178
Capital leases, current maturities	-	-	-	125,363
TOTAL CURRENT LIABILITIES	144,422	280,431	424,853	2,356,773
NONCURRENT LIABILITIES:				
Bonds payable, less current maturities	315,000	10,022,000	10,337,000	74,673
Note payable, less current maturities	34,520	-	34,520	-
Capital leases, less current maturities	-	-	-	479,072
Compensated absences	52,024	-	52,024	-
Deferred revenue	14,298	-	14,298	-
TOTAL NONCURRENT LIABILITIES	415,842	10,022,000	10,437,842	553,745
TOTAL LIABILITIES	560,264	10,302,431	10,862,695	2,910,518
NET ASSETS:				
Invested in capital assets, net of related debt	1,482,596	(607,734)	874,862	567,471
Contributed capital	248,780	12,724,298	12,973,078	-
Restricted for debt service	-	718,966	718,966	-
Unreserved	1,196,386	297,124	1,493,510	1,067,249
TOTAL NET ASSETS	2,927,762	13,132,654	16,060,416	1,634,720
TOTAL LIABILITIES AND NET ASSETS	\$ 3,488,026	\$ 23,435,085	\$ 26,923,111	\$ 4,545,238

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
STATEMENT OF ACTIVITIES
March 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
FUNCTIONS/PROGRAMS								
Primary government:								
Government activities:								
General government	\$ 137,956	\$ 1,025	\$ -	\$ -	\$ (136,931)	\$ -	\$ (136,931)	\$ -
Public safety	87,395	15,000	-	-	(72,395)	-	(72,395)	-
Public works	1,305,587	402	173,915	857,695	(273,575)	-	(273,575)	-
Recreation and culture	80,347	72,645	2,666	-	(5,036)	-	(5,036)	-
Community services	33,794	-	-	-	(33,794)	-	(33,794)	-
Other	171,883	-	-	-	(171,883)	-	(171,883)	-
Total governmental activities	1,816,962	89,072	176,581	857,695	(693,614)	-	693,614	-
Business-type activities:								
Water	1,160,821	1,001,946	-	-	-	(158,875)	(158,875)	-
Sewer	320,834	84,117	-	-	-	(236,717)	(236,717)	-
Total business-type activities	1,481,655	1,086,063	-	-	-	(395,592)	(395,592)	-
Total primary government	\$ 3,298,617	\$ 1,175,135	\$ 176,581	\$ 857,695	(693,614)	(395,592)	(1,089,206)	-
Component units:								
DDA District	\$ 66,675	\$ 2,250	\$ 1,425	\$ -	-	-	-	(63,000)
Hospital	11,925,149	11,734,610	-	-	-	-	-	(190,539)
Total component units	\$ 11,991,824	\$ 11,736,860	\$ 1,425	\$ -	-	-	-	(253,539)
General Revenues:								
Taxes								
Property taxes, levied for general operations					505,363	-	505,363	90,892
State shared revenue					182,288	-	182,288	-
Interest and investment earnings					6,525	6,436	12,961	9,853
Contributions not restricted to specific programs					12,659	-	12,659	-
Transfers					(195,000)	195,000	-	-
Gain on sale of assets					-	-	-	-
Other					42,362	429,487	471,849	214,478
Total general revenues, transfers, and special items					554,197	630,923	1,185,120	315,223
Change in Net Assets					(139,417)	235,331	95,914	61,684
Net Assets - Beginning					3,067,179	12,897,323	15,964,502	1,573,036
Net Assets - Ending					\$ 2,927,762	\$ 13,132,654	\$ 16,060,416	\$ 1,634,720

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2005

	General Fund	Capital Projects (M-64) Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 622,785	\$ 91	\$ 542,783	\$ 1,165,659
Taxes receivable	29,317	-	45,034	74,351
Accounts receivable	-	79,105	-	79,105
Due from other funds	5,060	-	-	5,060
Due from component unit	1,119	-	-	1,119
Due from governmental units	-	-	31,386	31,386
TOTAL CURRENT ASSETS	\$ 658,281	\$ 79,196	\$ 619,203	\$ 1,356,680
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	\$ 19,470	\$ 77,376	\$ 13,780	\$ 110,626
Accrued expenses	16,171	-	1,828	17,999
Due to other funds	782	1,696	2,322	4,800
Due to other governmental units	-	363	-	363
Deferred revenue	14,298	-	-	14,298
TOTAL CURRENT LIABILITIES	50,721	79,435	17,930	148,086
FUND BALANCES:				
Unreserved	607,560	(239)	601,273	1,208,594
TOTAL LIABILITIES AND FUND BALANCES	\$ 658,281	\$ 79,196	\$ 619,203	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,481,168
Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	605,024
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(367,024)
Net assets of governmental activities	<u>\$ 2,927,762</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2005

	General Fund	Capital Projects (M-64) Fund	Other Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 363,012	\$ -	\$ 142,351	\$ 505,363
State revenue	182,288	-	173,915	356,203
Grant revenue	2,666	857,695	-	860,361
Charges for services	88,670	-	-	88,670
Interest	1,841	-	3,312	5,153
Contributions	5,305	-	7,354	12,659
Other revenue	40,978	-	1,384	42,362
Total revenues	<u>684,760</u>	<u>857,695</u>	<u>328,316</u>	<u>1,870,771</u>
Expenditures:				
General government	97,116	-	-	97,116
Public safety	87,395	-	-	87,395
Public works	81,499	857,644	292,739	1,231,882
Recreation and culture	80,347	-	-	80,347
Community promotion	33,794	-	-	33,794
Other	171,883	-	-	171,883
Total expenditures	<u>552,034</u>	<u>857,644</u>	<u>292,739</u>	<u>1,702,417</u>
Excess (deficiency) of revenue over expenditures	<u>132,726</u>	<u>51</u>	<u>35,577</u>	<u>168,354</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	158,000	158,000
Operating transfers out	(195,000)	-	(158,000)	(353,000)
Total other financing sources (uses)	<u>(195,000)</u>	<u>-</u>	<u>-</u>	<u>(195,000)</u>
Net change in fund balance	<u>(62,274)</u>	<u>51</u>	<u>35,577</u>	<u>(26,646)</u>
Fund Balances - Beginning of Year	<u>669,834</u>	<u>(290)</u>	<u>565,696</u>	
Fund Balances - End of Year	<u>\$ 607,560</u>	<u>\$ (239)</u>	<u>\$ 601,273</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation. (98,197)

Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities. (14,574)

Change in net assets of governmental activities \$ (139,417)

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
BALANCE SHEET
Year Ended March 31, 2005

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 140,006	\$ 315,027
Accounts receivable	109,451	-
Due from other funds	1,096	-
Total current assets	<u>250,553</u>	<u>315,027</u>
Restricted cash	<u>801,523</u>	<u>-</u>
Property, plant, and equipment	25,892,614	1,168,591
Accumulated depreciation & amortization	<u>(3,509,050)</u>	<u>(827,839)</u>
	<u>22,383,564</u>	<u>340,752</u>
TOTAL ASSETS	<u>\$ 23,435,640</u>	<u>\$ 655,779</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 11,057	\$ 11,248
Accrued expenses	18,679	186
Customer deposits	5,695	-
Notes payable	-	4,000
Due to other funds	555	801
Current maturities on long term debt	<u>245,000</u>	<u>-</u>
Total current liabilities	<u>280,986</u>	<u>16,235</u>
Long-term liabilities:		
Bonds/note payable	<u>10,022,000</u>	<u>34,520</u>
TOTAL LIABILITIES	<u>10,302,986</u>	<u>50,755</u>
FUND EQUITY:		
Contributed capital	<u>12,724,298</u>	<u>248,780</u>
Retained earnings:		
Reserved	718,966	-
Unreserved - Undesignated	<u>(310,610)</u>	<u>356,244</u>
Total retained earnings	<u>408,356</u>	<u>356,244</u>
TOTAL FUND EQUITY	<u>13,132,654</u>	<u>605,024</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,435,640</u>	<u>\$ 655,779</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2005

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:		
Sales and charges for services	\$ 1,076,080	\$ 166,824
Fines, forfeitures, and penalties	9,983	-
Other revenue	429,487	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	1,515,550	166,824
	<hr/>	<hr/>
EXPENSES:		
Salaries, wages, and fringe benefits	287,286	23,709
Supplies, materials, and other	65,350	16,007
Repair and maintenance	10,593	30,887
Insurance	58,700	488
Utilities	78,210	14,919
Other services and support	320,458	550
Depreciation	515,657	94,285
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	1,336,254	180,845
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	179,296	(14,021)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	6,436	1,372
Interest expense	(383,427)	(1,925)
Operating transfers in	195,000	-
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	181,991	553
	<hr/>	<hr/>
NET INCOME (LOSS)	(2,695)	(14,574)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	173,025	370,818
ADJUSTMENTS TO FUND EQUITY:		
Add depreciation on fixed assets acquired with new capital	238,026	-
	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 408,356	\$ 356,244
	<hr/>	<hr/>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended March 31, 2005

	Business Type Activities Enterprise Funds	Governmental Activities Internal Service Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,114,144	\$ 402	\$ 1,114,546
Payments to suppliers	(810,256)	(54,585)	(864,841)
Internal activity -- receipts (payments) to other funds	(3,774)	166,422	162,648
Payments to employees	(287,544)	(23,523)	(311,067)
Other receipts (payments)	429,487	0	429,487
Net cash provided by operating activities	442,057	88,716	530,773
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	104,914.00	44,841.00	149,755.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	349,100	0	349,100
Purchases of capital assets	(46,917)	(23,500)	(70,417)
Principal paid on capital debt	(196,000)	(4,000)	(200,000)
Interest paid on capital debt	(383,427)	(1,925)	(385,352)
Net cash (used) by capital and related financing activities	(277,244)	(29,425)	(306,669)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	6,436	1,372	7,808
Net cash provided by investing activities	6,436	1,372	7,808
Net (decrease) in cash and cash equivalents	276,163	105,504	381,667
Balances -- beginning of the year	665,366	209,523	874,889
Balances -- end of the year	\$ 941,529	\$ 315,027	\$ 1,256,556
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ 179,296	\$ (14,021)	\$ 165,275
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	515,657	94,285	609,942
Change in assets and liabilities			
Receivables, net	30,137	0	30,137
Accounts and other payables	(282,775)	8,266	(274,509)
Accrued Expenses	(258)	186	(72)
Net cash provided by operating activities	\$ 442,057	\$ 88,716	\$ 530,773

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Ontonagon, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

IMPLEMENTATION OF GASB STATEMENT NO. 34

Effective April 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34).

The primary changes from the prior years' financial presentations include:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
- Fixed assets in the governmental activities column of the statement of net assets include assets totaling \$4,232,957 previously reported in the General Fixed Assets Account Group. Fixed assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by \$77,300 to reflect the historical cost of the Village's fixed assets at that date. In addition, the governmental activities column includes bonds and other long term obligations totaling \$315,000 previously reported in the General Long Term Debt Account Group.
- The change to the direct method of reporting cash flows from operations in the proprietary fund financial statements.

REPORTING ENTITY

The Village of Ontonagon is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village of Ontonagon (the primary government) and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village. The criteria and guidelines of the Governmental Accounting Standards Board Statement Number 14 *The Reporting Entity* are utilized to determine that all applicable entities are included in the combined financial statements of the Village. The primary criterion for inclusion is the degree of oversight responsibility over such entities by the Village's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity:

Ontonagon Memorial Hospital - the hospital is owned by the Village of Ontonagon. The Village is financially accountable for the hospital. The hospital, therefore, is included in these financial statements using the "discrete presentation method."

Downtown Development Authority - the Downtown Development Authority (DDA) is a separate legal entity; however, the Village is financially accountable for the DDA. Therefore, the DDA is included with the Village financial statements using the "discrete presentation method."

Ontonagon Housing Commission - the Village is not financially accountable for the Housing Commission nor does it have a significant relationship. Therefore, the Housing Commission is not included as part of the Village reporting entity.

The Ontonagon Memorial Hospital and the Ontonagon Housing Commission are audited separately by other auditors. These audits are under separate cover. Copies of these audits may be obtained from the Ontonagon Village manager.

DISCRETELY PRESENTED COMPONENT UNITS

The component units' columns in the combined financial statements include the financial data of the Village's component units, the Ontonagon Memorial Hospital, and the Downtown Development Authority (DDA). These units are reported in a separate column to emphasize that it is legally separate from the Village. Copies of these audits may be obtained from the Ontonagon Village manager.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Village and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Village.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects (M-64 Bridge) - This fund is accounting for the construction project funded through U.S. Department of Housing and Urban Development - State Programs and passed through from the State of Michigan. The project funds are being administered by the Village and the construction is being performed by the Michigan Department of Transportation.

The Village reports the following proprietary funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governments, on a cost - reimbursement basis. The Village maintains one Internal Service Fund, which is the Equipment Fund.

Additionally, the Village reports the following non-major governmental funds: Major Street, Local Street and Road.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETARY DATA

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. In February, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted by resolution.
- d. The Village Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village council throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Village must adopt an annual operating budget for the General and Special Revenue Funds.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents - The Village's cash and cash equivalents include cash on hand, certificates of deposit, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the village to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village does have an investment policy that meets state statutory regulations.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the "Bond Requirements" accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - Property taxes are levied on July 1. The Village collects its own property taxes until September 14, at which time collection is turned over to Ontonagon County for collection.

The tax rate to finance general Village government services for the year ended March 31, 2005, was \$12.50 per \$1,000 of assessed value. At July 1, 2004, taxable valuation was \$33,462,800 which computed to \$389,843 taxes levied. Additional millage was levied county-wide for road improvements which amounted to \$142,351 for the Village Road Fund.

Fixed Assets - Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Buildings and additions	20-50 years
Vehicles and equipment	5-10 years
Furniture and other equipment	5-10 years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Village follows the policy of reducing contributed capital in the equipment, water, and sewer fund for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2005, Federal, State and Local contributed capital of \$14,140,376 has been reduced by an aggregate of \$1,167,298. The current year amortization is \$238,829.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Village does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid sick leave balances. As of March 31, 2005, accrued unpaid sick pay totaled \$52,024. Accrued sick time is payable upon termination of employment or retirement.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

CASH DEPOSITS

Primary Government - At March 31, 2005, the book value of the Village's demand deposits, consisting primarily of checking and savings accounts, certificates of deposit and other cash equivalents, was \$2,422,218 with a corresponding bank balance of \$2,353,545. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,029,905, representing approximately 44% of the Village's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,029,905 was insured and \$1,323,641 was neither insured or collateralized.

The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Units

Downtown Development Authority - At March 31, 2005, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$37,995. One hundred percent (100%) of the deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at September 30, 2004, per FDIC regulation number 330.8.

Ontonagon Memorial Hospital - At March 31, 2005, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$573,791. One hundred percent (100%) of the Hospital's deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at September 30, 2004, per FDIC regulation number 330.8.

INVESTMENTS

Investments are for the component unit, Ontonagon Memorial Hospital, in the amount of \$337,403. Investments consist primarily of cash and certificates of deposits and are stated at fair value.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE C - INTERFUND BALANCES AND TRANSFERS

The amounts of interfund balances at March 31, 2005 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 5,060	General Fund	\$ 782
Local Street	0	Major Street	1,121
Road Fund	0	Local Street	1,201
M64 Bridge	0	M64 Bridge	1,696
Sub-Total	0	Sub-Total	4,018
Sewer Disposal	0	Sewer Disposal	555
Water Supply	1,096	Water Supply	0
Sub-Total	1,096	Sub-Total	555
Equipment Fund	0	Equipment Fund	801
TOTALS	\$ 6,156	TOTALS	\$ 6,156

NOTE D - FIXED ASSETS

Fixed Asset activity of the Village's governmental activities was as follows:

	Balance * 03/31/04	Additions	Subtractions and Adjustments	Balance 03/31/05
Land	\$ 670,485	\$ 0	\$ 0	\$ 670,485
Fixed assets being depreciated:				
Building and additions	1,286,363	0	0	1,286,363
Equipment and furniture	210,666	0	0	210,666
Major Streets	828,463	0	0	828,463
Local Streets	68,389	0	0	68,389
Subtotal	2,393,881	0	0	2,393,881
Accumulated depreciation:				
Building and additions	707,033	32,863	0	739,896
Improvements other than building	137,213	7,976	0	145,189
Major Streets	620,710	53,380	0	674,090
Local Streets	20,046	3,977	0	24,023
Subtotal	1,485,002	98,196	0	1,583,198
Net capital assets being depreciated	908,879	(98,196)	0	810,683
Net capital assets	\$ 1,579,364	\$ (98,196)	\$ 0	\$ 1,481,168

* During the year, fixed assets have been adjusted by \$77,300 to reflect historical cost as of April 1, 2004.

Depreciation expense was charged to activities of the Village as follows:

Governmental activities	
General Fund	\$ 40,840
Major Streets	53,380
Local Streets	3,977
	<u>\$ 98,197</u>

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

NOTE D - FIXED ASSETS (Continued)

The components of property, plant, and equipment in Village proprietary funds at March 31, 2005 are summarized as follows:

	Sewer Fund	Water Fund	Equipment Fund
Land & Improvements	\$ 16,533	\$ 20,000	\$ 0
Building	1,585,295	240,426	0
Lines and mains	6,244,147	17,646,232	0
Equipment	38,782	52,731	668,428
Vehicles	4,290	44,178	500,163
Total	7,889,047	18,003,567	1,168,591
Allowances for Depreciation	(1,954,292)	(1,554,758)	(827,839)
Balance	<u>\$ 5,934,755</u>	<u>\$ 16,448,809</u>	<u>\$ 340,752</u>

NOTE E - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS

The ordinance authorizing issuance of the 1996 and 1997 Sanitary Sewage Disposal System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond and Interest Reserve Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Sewer Bond Reserve Account - Excess funds of up to \$4,850 per quarter are to be transferred to this account until \$194,000 is accumulated.

The ordinance authorizing issuance of the 2004 General obligation Limited Tax Bonds, require that specific accounts be established and monies deposited as follows:

Water Fund - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due placed in the bond reserve account. In addition, the repair, replacement and improvement account will continue to be maintained.

At March 31, 2005, the Village had established these accounts and had restricted cash, as required, as follows:

	REQUIREMENTS			Amount Funded in Restricted Cash Balance
	March 31, 2004	Additions (deletions)	March 31, 2005	
SEWER FUND				
Bond and interest reserve account	\$ 15,500	\$ 500	\$ 16,000	\$ 16,000
Bond reserve account	143,175	19,400	162,575	194,943
	<u>158,675</u>	<u>19,900</u>	<u>178,575</u>	<u>210,943</u>
WATER FUND				
Bond debt retirement fund	37,599	128,836	166,435	518,479
Repair, replacement & improvement	2,850	68,955	71,805	72,101
	<u>40,449</u>	<u>197,791</u>	<u>238,240</u>	<u>590,580</u>
	<u>\$ 199,124</u>	<u>\$ 217,691</u>	<u>\$ 416,815</u>	<u>\$ 801,523</u>

VILLAGE OF ONTONAGON
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

NOTE F - LONG-TERM DEBT

ENTERPRISE FUNDS

1996 Sanitary Sewage Disposal System Revenue Bonds - On October 2, 1996, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$3,000,000. The bonds were issued with an interest rate of 4.5% per annum with principal amounts payable September 1 and interest payable semi-annually on September 1 and March 1.

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2006	\$ 40,000	\$ 61,695	\$ 60,817	\$ 162,512
2007	42,000	60,818	59,917	162,735
2008	44,000	59,918	58,972	162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018	68,000	48,353	46,890	163,243
2019	70,000	46,890	45,360	162,250
2020	74,000	45,360	43,785	163,145
2021	78,000	43,785	42,120	163,905
2022	80,000	42,120	40,365	162,485
2023	83,000	40,365	38,565	161,930
2024	87,000	38,565	36,698	162,263
2025	92,000	36,698	34,740	163,438
2026	95,000	34,740	32,670	162,410
2027	100,000	32,670	30,533	163,203
2028	104,000	30,533	28,283	162,816
2029	110,000	28,283	25,943	164,226
2030	115,000	25,943	23,468	164,411
2031	120,000	23,468	20,880	164,348
2032	125,000	20,880	18,180	164,060
2033	130,000	18,180	15,366	163,546
2034	136,000	15,366	12,442	163,808
2035	142,000	12,443	9,382	163,825
2036	149,000	9,383	6,187	164,570
2037	155,000	6,188	-	161,188
	<u>\$ 2,732,000</u>	<u>\$ 1,274,002</u>	<u>\$ 1,212,295</u>	<u>\$ 5,218,297</u>

1997 Sanitary Sewage Disposal System Revenue Bonds - On June 26, 1997, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$493,143. The bonds were issued at an interest rate of 2.25% per annum with principal amounts payable October 1 and interest payable semi-annually on April 1 and October 1.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE F - LONG-TERM DEBT (Continued)

Year Ended March 31	Interest		Principal October	Total
	April	October		
2006	\$ 3,860	\$ 3,860	\$ 25,000	\$ 32,720
2007	3,579	3,579	25,000	32,158
2008	3,298	3,298	25,000	31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 27,593</u>	<u>\$ 27,593</u>	<u>\$ 340,000</u>	<u>\$ 395,186</u>

2004 Water Bonds - On June 14, 2004, the Village of Ontonagon refunded the Water Supply System Revenue Bond with the Michigan Municipal Bond Authority in the amount of \$7,370,000. The bonds were issued at an interest rate of 2.125% per annum with principal amounts payable October 1 and interest payable semi-annually on October 1 and April 1.

Year Ended March 31	Interest		Principal October	Total
	April	October		
2006	\$ 76,434	\$ 76,434	\$ 180,000	\$ 332,868
2007	74,522	74,522	185,000	334,044
2008	72,557	72,557	190,000	335,114
2009	70,538	70,538	195,000	336,076
2010	68,466	68,466	200,000	336,932
2011	66,341	66,341	200,000	332,682
2012	64,216	64,216	205,000	333,432
2013	62,038	62,038	210,000	334,076
2014	59,807	59,807	215,000	334,614
2015	57,522	57,522	220,000	335,044
2016	55,185	55,185	225,000	335,370
2017	52,794	52,794	230,000	335,588
2018	50,350	50,350	235,000	335,700
2019	47,854	47,854	240,000	335,708
2020	45,304	45,304	245,000	335,608
2021	42,700	42,701	250,000	335,401
2022	40,044	40,044	255,000	335,088
2023	37,335	37,335	260,000	334,670
2024	34,572	34,572	265,000	334,144
2025	31,757	31,757	270,000	333,514
2026	28,888	28,888	275,000	332,776
2027	25,966	25,966	285,000	336,932
2028	22,938	22,938	290,000	335,876
2029	19,857	19,857	295,000	334,714
2030	16,722	16,722	300,000	333,444
2031	13,535	13,535	310,000	337,070
2032	10,241	10,241	315,000	335,482
2033	6,894	6,894	320,000	333,788
2034	3,494	3,494	330,000	336,988
TOTALS	<u>\$ 1,258,871</u>	<u>\$ 1,258,872</u>	<u>\$ 7,195,000</u>	<u>\$ 9,712,743</u>

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE F - LONG-TERM DEBT (Continued)

INTERNAL SERVICE FUND (EQUIPMENT FUND)

Fire Truck Installment - On December 8, 1998, the Village entered into a \$57,520 loan contract with USDA for the purpose of purchasing a fire truck. The loan was financed at an interest rate of 4.75% per annum. Principal amounts payable December 1 and interest payable bi-annually on June 1 and December 1.

Year	June Interest	December Interest	December Principal	Total
2005-2006	\$ 915	\$ 820	\$ 4,000	\$ 5,735
2006-2007	820	725	4,000	5,545
2007-2008	725	630	4,000	5,355
2008-2009	630	535	4,000	5,165
2009-2010	535	440	4,000	4,975
2010-2014	1,160	720	18,520	20,400
TOTAL	\$ 4,785	\$ 3,870	\$ 38,520	\$ 47,175

GENERAL LONG-TERM DEBT ACCOUNT GROUP

1998 Loan of Federal Funds - Payable to Michigan Jobs Commission - On 1998, the Village of Ontonagon entered into a \$315,000 loan contract with the Michigan Jobs Commission for the purpose of Renaissance Zone Industrial Park. The loan was financed at an interest rate of not less than 5% per annum. The maximum term of the loan is 20 years with no interest in the first 5 years. Interest begins to accrue in the 4th year. The debt (up to 90%) will be forgiven at the rate of \$20,000 per job created by the project.

Year	Interest	Principal	Total
2005-2006	\$ 15,750	\$ 0	\$ 15,750
2006-2007	15,750	14,598	30,348
2007-2008	15,021	15,327	30,348
2008-2009	14,254	16,094	30,348
2009-2010	13,449	16,899	30,348
2010-2011	12,604	17,744	30,348
2011-2012	11,717	18,631	30,348
2012-2013	10,786	19,562	30,348
2013-2018	38,240	113,500	151,740
2018-2020	8,399	82,645	91,044
TOTAL	\$ 155,970	\$ 315,000	\$ 470,970

The following is a summary of the changes in the long-term debt for the year ended March 31, 2005:

	Balance 03/31/04	Increase	Decrease	Balance 03/31/05
1996 Sanitary Sewage Bonds	\$ 2,771,000	\$ 0	\$ 39,000	\$ 2,732,000
1997 Sanitary Sewage Bonds	365,000	0	25,000	340,000
2000 Water Bonds Series A	3,429,000	0	3,429,000	0
2000 Water Bonds Series B	3,121,000	0	3,121,000	0
2003 Water Bonds	777,000	0	777,000	0
2003 Water Bonds	0	7,370,000	175,000	7,195,000
Sub-Total Enterprise Funds	10,463,000	7,370,000	7,566,000	10,267,000
Fire Truck Purchase	42,520	0	4,000	38,520
Michigan Jobs Commission	315,000	0	0	315,000
Accrued Sick Leave	52,973	0	949	52,024
TOTAL	\$ 10,873,493	\$ 7,370,000	\$ 7,570,949	\$ 10,672,544

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE F - LONG-TERM DEBT (Continued)

The aggregate amount of maturities on long-term debt by fund type:

ENTERPRISE FUNDS

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 245,000	\$ 283,100	\$ 528,100
2007	252,000	276,937	528,937
2008	259,000	270,600	529,600
2009	266,000	264,065	530,065
2010	272,000	257,332	529,332
2011	275,000	250,428	525,428
2012	282,000	243,433	525,433
2013	290,000	236,220	526,220
2014	296,000	228,786	524,786
2015	310,000	221,157	531,157
2016	317,000	213,199	530,199
2017	350,000	204,996	554,996
2018	303,000	195,943	498,943
2019	310,000	187,958	497,958
2020	319,000	179,753	498,753
2021	328,000	171,306	499,306
2022	335,000	162,573	497,573
2023	343,000	153,600	496,600
2024	352,000	144,407	496,407
2025	362,000	134,952	496,952
2026	370,000	125,186	495,186
2027	385,000	115,135	500,135
2028	394,000	104,692	498,692
2029	405,000	93,940	498,940
2030	415,000	82,855	497,855
2031	430,000	71,418	501,418
2032	440,000	59,542	499,542
2033	450,000	47,334	497,334
2034	466,000	34,796	500,796
2035	142,000	21,825	163,825
2036	149,000	15,570	164,570
2037	155,000	6,188	161,188
	<u>\$ 10,267,000</u>	<u>\$ 5,059,226</u>	<u>\$ 15,326,226</u>

INTERNAL SERVICE FUNDS

March 31, 2005

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$ 1,735	\$ 4,000	\$ 5,735
2006-2007	1,545	4,000	5,545
2007-2008	1,355	4,000	5,355
2008-2009	1,165	4,000	5,165
2009-2010	975	4,000	4,975
2010-2014	1,880	18,520	20,400
TOTAL	<u>\$ 8,655</u>	<u>\$ 38,520</u>	<u>\$ 47,175</u>

VILLAGE OF ONTONAGON**NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005****NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2005 is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	\$84,117	\$1,431,433
Depreciation	\$(154,804)	\$(360,853)
Income (loss) from operations	\$(157,689)	\$336,985
Non-operating revenues	\$197,727	\$3,709
Non-operating (expenditures)	\$(131,749)	\$(251,678)
Net Income (loss)	\$(91,711)	\$89,016
Property, Plant, & Equipment:		
Additions	\$-	\$46,917
Disposal	\$-	\$-
Total assets	\$6,181,619	\$17,254,021
Net working capital (deficit)	\$(42,350)	\$11,917
Long-term liabilities-payable from operating revenues	\$3,072,000	\$7,195,000
Total Equity	\$3,096,348	\$10,036,306

NOTE H - PENSION PLANS

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement system of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement system of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

The Village is required to contribute to the plan at an actuarially determined rate. The current rate, as a percent of annual covered payroll, is 13.13% for general employees and 13.97% for administrative employees. Village employees are required to contribute 0% of their annual covered payroll. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

During the fiscal year ended March 31, 2005, the Village of Ontonagon's contributions, totaling \$62,754, were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 1998. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level funding method, annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer's normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for their projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age related scale to reflect merit, longevity, and promotional salary increases.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2005

NOTE I - DEFERRED COMPENSATION PLAN

The employees of the Village are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by PEBSCO. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be the property of the Plan's participants and are no longer subject to the Village's general creditors. Also, as the Village relies on a third party for administration and investment management of the plan, the Village is no longer required to report the 457 plan assets on its financial statements.

NOTE J - ONTONAGON MEMORIAL HOSPITAL

As discussed in Note A concerning the reporting entity, the hospital is considered a component unit of the Village of Ontonagon for financial reporting purposes.

The Ontonagon Memorial Hospital is audited by other auditors under a separate cover. The separate audited financial statement contains various notes which detail significant financial disclosures.

The hospital has issued revenue bonds in the name of the Village of Ontonagon. The balance of bonds payable at March 31, 2005 was \$30,000. Additionally, the hospital has capital leases payable of \$551,184, operating leases payable of \$121,464, land contracts payable of \$75,093, and a note payable to a bank of \$192,178.

NOTE K - COMMITMENTS AND CONTINGENCIES

M-64 BRIDGE INFRASTRUCTURE PROJECT

The Village has been awarded a Michigan Community Development Block Grant in the amount of \$5,050,000. The project will allow for the replacement of the existing M-64 swing bridge with a new fixed span bridge over the Ontonagon River within the corporate limits of the Village.

The Michigan Department of Transportation has estimated the cost of the project to be \$4,564,500 for alteration, reconstruction and relocation.

Through March 31, 2005, the Village received and expended \$3,729,611 of the grants.

STATE TRANSPORTATION ECONOMIC DEVELOPMENT

The Village has been awarded a State Transportation Economic Development grant in the amount of \$375,000. The grants require a local match in the amount of \$93,750. The project will consist of reconstruction of Michigan, Mercury and Paul Bunyan streets a total estimated cost of \$468,750.

VILLAGE OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2005

NOTE L - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability workers' compensation and property risk, by participating in Michigan Municipal Risk Management Authority Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Michigan Municipal Risk Management Authority Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE M - CONTINGENT LIABILITIES

Solid-Waste Landfill

The Village was an operator of a municipal solid-waste landfill which was closed in 1987. The Village has not recorded or recognized any costs or liability for the landfill post-closure care requirements. Village engineers have estimated the landfill clean-up cost to be approximately \$350,000.

The Village is seeking financial assistance from the State of Michigan (the landowner) and from Ontonagon County in connection with this matter.

NOTE N - RECLASSIFICATIONS

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 classifications.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF ONTONAGON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Current taxes	\$ 348,400	\$ 348,400	\$ 363,012	\$ (14,612)
State revenue	189,100	189,100	182,288	6,812
Other revenue	169,000	169,000	139,460	29,540
TOTAL REVENUE	<u>706,500</u>	<u>706,500</u>	<u>684,760</u>	<u>21,740</u>
EXPENDITURES:				
General Government:				
Board/Council/Legislative	24,600	24,600	24,624	(24)
Executive/Manager:	39,050	39,050	23,497	15,553
Village Office	43,930	43,930	26,563	17,367
Chamber Building	1,550	1,550	734	816
Clerk	17,775	17,775	14,891	2,884
Treasurer	10,165	10,165	4,349	5,816
Legal, accounting, and audit	3,750	3,750	1,325	2,425
Assessor	1,700	1,700	1,133	567
Public Safety	96,100	96,100	87,395	8,705
Public Works	131,150	131,150	81,499	49,651
Recreation and Culture	85,530	85,530	80,347	5,183
Community Promotion	44,700	44,700	33,794	10,906
Insurance and fringe benefits	128,450	128,450	171,883	(43,433)
TOTAL EXPENDITURES	<u>628,450</u>	<u>628,450</u>	<u>552,034</u>	<u>76,416</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>78,050</u>	<u>78,050</u>	<u>132,726</u>	<u>(54,676)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(195,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(195,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (116,950)</u>	<u>\$ (116,950)</u>	<u>(62,274)</u>	<u>\$ (54,676)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>669,834</u>	
FUND BALANCE - END OF YEAR			<u>\$ 607,560</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF ONTONAGON
GENERAL FUND
BALANCE SHEETS
March 31, 2005
With Comparative Totals at March 31, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 622,785	\$ 463,204
Taxes receivable	29,317	22,719
Accounts receivable	-	11,650
Due from other funds	5,060	166,472
Due from component unit	1,119	150,222
TOTAL CURRENT ASSETS	<u>\$ 658,281</u>	<u>\$ 814,267</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,470	\$ 8,240
Accrued expenses	16,171	13,658
Due to other funds	782	115,665
Deferred revenue	14,298	6,486
TOTAL CURRENT LIABILITIES	<u>50,721</u>	<u>144,049</u>
FUND BALANCES:		
Unreserved	<u>607,560</u>	<u>670,218</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 658,281</u>	<u>\$ 814,267</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended March 31, 2005
With Comparative Actual Amounts for Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2004</u>
REVENUES:				
Current taxes:				
Property Taxes	\$ 341,700	\$ 349,815	\$ (8,115)	\$ 350,768
Penalties & interest on tax	1,400	1,021	379	1,217
Payments in lieu of tax	1,500	6,730	(5,230)	8,365
Administration fees	3,800	5,446	(1,646)	3,976
Total current taxes	<u>348,400</u>	<u>363,012</u>	<u>(14,612)</u>	<u>364,326</u>
State revenue:				
Sales tax	185,500	182,288	3,212	195,374
Liquor Tax	3,600	-	3,600	3,668
Total state revenue	<u>189,100</u>	<u>182,288</u>	<u>6,812</u>	<u>199,042</u>
Grant revenue	-	2,666	(2,666)	72,600
Charges for services	75,600	88,670	(13,070)	70,362
Interest	1,000	1,841	(841)	1,407
Contributions	2,000	5,305	(3,305)	5,593
Other revenue:				
Sale of assets	48,900	-	48,900	19,499
Refunds/reimbursements	3,500	10,544	(7,044)	27,238
Miscellaneous	1,200	710	490	342
Health services payments from retirees	36,800	29,724	7,076	52,108
Total other revenue	<u>90,400</u>	<u>40,978</u>	<u>49,422</u>	<u>99,187</u>
TOTAL REVENUES	<u>706,500</u>	<u>684,760</u>	<u>21,740</u>	<u>812,517</u>
EXPENDITURES:				
General Government:				
Board/Council/Legislative:				
Salaries, wages, and fringe benefits	14,000	14,614	(614)	16,067
Supplies, materials, and other	600	888	(288)	723
Other services and support	10,000	9,122	878	7,751
Total board/council/legislative	<u>24,600</u>	<u>24,624</u>	<u>(24)</u>	<u>24,541</u>
Executive/Manager:				
Salaries, wages, and fringe benefits	27,350	15,498	11,852	13,169
Supplies, materials, and other	500	150	350	181
Insurance	400	200	200	400
Utilities	900	233	667	297
Other services and support	9,900	7,416	2,484	8,782
Total executive/manager	<u>39,050</u>	<u>23,497</u>	<u>15,553</u>	<u>22,829</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2005
With Comparative Actual Amounts for Year Ended March 31, 2004

EXPENDITURES:	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2004</u>
Village Office:				
Salaries, wages, and fringe benefits	21,530	10,293	11,237	6,162
Supplies, materials, and other	9,000	9,056	(56)	12,228
Insurance	3,000	500	2,500	4,060
Utilities	4,000	4,425	(425)	5,039
Other services and support	2,400	2,090	310	3,851
Capital outlay	4,000	199	3,801	270
Total village office	<u>43,930</u>	<u>26,563</u>	<u>17,367</u>	<u>31,610</u>
Chamber Building	<u>1,550</u>	<u>734</u>	<u>816</u>	<u>668</u>
Clerk:				
Salaries, wages, and fringe benefits	15,075	13,753	1,322	11,148
Supplies, materials, and other	700	607	93	1,106
Insurance	1,200	200	1,000	1,500
Other services and support	800	331	469	199
Total clerk	<u>17,775</u>	<u>14,891</u>	<u>2,884</u>	<u>13,953</u>
Treasurer:				
Salaries, wages, and fringe benefits	8,615	3,735	4,880	4,125
Supplies, materials, and other	800	579	221	-
Other services and support	750	35	715	292
Total treasurer	<u>10,165</u>	<u>4,349</u>	<u>5,816</u>	<u>4,417</u>
Legal, accounting, and audit	<u>3,750</u>	<u>1,325</u>	<u>2,425</u>	<u>4,232</u>
Assessor	<u>1,700</u>	<u>1,133</u>	<u>567</u>	<u>1,358</u>
Elections:				
Salaries, wages, and fringe benefits	-	-	-	503
Supplies, materials, and other	-	-	-	1,216
Other services and support	-	-	-	180
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899</u>
Total general government	<u>142,520</u>	<u>97,116</u>	<u>45,404</u>	<u>105,507</u>

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2005
With Comparative Actual Amounts for Year Ended March 31, 2004

EXPENDITURES:	BUDGET	ACTUAL	VARIANCE	2004
Public Safety:				
Contracted police services	24,000	22,613	1,387	50,752
Fire Protection:				
Salaries, wages, and fringe benefits	2,200	1,800	400	2,520
Supplies, materials, and other	9,200	9,203	(3)	7,805
Insurance	3,800	3,217	583	4,717
Utilities	8,200	12,033	(3,833)	10,628
Other services and support	35,500	37,579	(2,079)	36,994
Capital outlay	13,200	950	12,250	69,299
Total public safety	96,100	87,395	8,705	182,715
Public Works:				
Department of Public Works:				
Salaries, wages, and fringe benefits	46,650	4,394	42,256	15,745
Supplies, materials, and other	12,500	14,105	(1,605)	14,330
Insurance	6,000	8,785	(2,785)	7,058
Utilities	500	179	321	419
Other services and support	22,500	7,075	15,425	12,712
Capital outlay	7,000	7,329	(329)	6,121
Total department of public works	95,150	41,867	53,283	56,385
Street lighting	36,000	39,632	(3,632)	30,296
Total public works	131,150	81,499	49,651	86,681
Recreation and Culture:				
Parks:				
Salaries, wages, and fringe benefits	4,350	4,137	213	3,556
Supplies, materials, and other	3,800	2,447	1,353	4,056
Insurance	2,000	1,000	1,000	2,100
Repairs and maintenance	3,500	-	3,500	-
Utilities	18,900	30,239	(11,339)	18,889
Other services and support	1,200	1,960	(760)	1,317
Total parks	33,750	39,783	(6,033)	29,918
Marina:				
Salaries, wages, and fringe benefits	21,530	15,779	5,751	14,631
Supplies, materials, and other	14,500	15,185	(685)	7,776
Repairs and maintenance	1,500	18	1,482	403
Insurance	2,000	980	1,020	2,000
Utilities	3,500	2,709	791	3,153
Repairs and maintenance	3,750	1,944	1,806	1,904
Capital outlay	5,000	3,949	1,051	-
Total marina	51,780	40,564	11,216	29,867

VILLAGE OF ONTONAGON
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
Year Ended March 31, 2005
With Comparative Actual Amounts for Year Ended March 31, 2004

EXPENDITURES:	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2004</u>
Total recreation and culture	<u>85,530</u>	<u>80,347</u>	<u>5,183</u>	<u>59,785</u>
Community Promotion:				
Supplies, materials, and other	1,500	5,463	(3,963)	1,248
Utilities	1,300	1,060	240	1,593
Other services and support	40,900	26,476	14,424	13,681
Capital outlay	<u>1,000</u>	<u>795</u>	<u>205</u>	<u>66</u>
Total community promotion	<u>44,700</u>	<u>33,794</u>	<u>10,906</u>	<u>16,588</u>
Other:				
Insurance and fringe benefits	<u>128,450</u>	<u>171,883</u>	<u>(43,433)</u>	<u>125,955</u>
TOTAL EXPENDITURES	<u>628,450</u>	<u>552,034</u>	<u>76,416</u>	<u>577,231</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>78,050</u>	<u>132,726</u>	<u>(54,676)</u>	<u>235,286</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>	<u>(195,000)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>	<u>(195,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (116,950)</u>	<u>(62,274)</u>	<u>\$ (54,676)</u>	<u>40,286</u>
FUND BALANCE, BEGINNING OF YEAR		<u>669,834</u>		<u>629,932</u>
FUND BALANCE, END OF YEAR		<u>\$ 607,560</u>		<u>\$ 670,218</u>

VILLAGE OF ONTONAGON
SPECIAL REVENUE FUNDS
BALANCE SHEETS
March 31, 2005
With Comparative Totals at March 31, 2004

				Totals (Memorandum Only)	
	Major Street	Local Street	Road	2005	2004
ASSETS:					
Cash and cash equivalents	\$ 178,305	\$ 177,775	\$ 186,703	\$ 542,783	\$ 520,579
Taxes receivable	-	-	45,034	45,034	65,843
Due from other funds	-	-	-	-	64,594
Due from component unit	-	-	-	-	43
Due from other governmental units	21,718	9,668	-	31,386	32,694
Total assets	<u>\$ 200,023</u>	<u>\$ 187,443</u>	<u>\$ 231,737</u>	<u>\$ 619,203</u>	<u>\$ 683,753</u>
LIABILITIES:					
Accounts payable	\$ 7,737	\$ 6,043	-	\$ 13,780	\$ 12,917
Accrued expenses	937	891	-	1,828	1,281
Due to other funds	1,121	1,201	-	2,322	103,859
Total liabilities	<u>9,795</u>	<u>8,135</u>	<u>-</u>	<u>17,930</u>	<u>118,057</u>
FUND EQUITY:					
Fund Balance - Unreserved	<u>190,228</u>	<u>179,308</u>	<u>231,737</u>	<u>601,273</u>	<u>565,696</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 200,023</u>	<u>\$ 187,443</u>	<u>\$ 231,737</u>	<u>\$ 619,203</u>	<u>\$ 683,753</u>

VILLAGE OF ONTONAGON
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

March 31, 2005

With Comparative Totals at March 31, 2004

	Major Street	Local Street	Road	Totals (Memorandum Only)	
				2005	2004
REVENUES:					
Current taxes	\$ -	\$ -	\$ 142,351	\$ 142,351	\$ 138,937
State revenue	119,662	54,253	-	173,915	203,370
Interest	1,290	1,031	991	3,312	1,979
Other revenue	-	1,384	7,354	8,738	1,705
Total revenues	120,952	56,668	150,696	328,316	345,991
EXPENDITURES:					
Salaries, wages, and fringe benefits	66,554	66,205	-	132,759	135,455
Supplies, materials, and other	8,638	10,429	-	19,067	19,129
Other services and support	59,632	79,831	1,450	140,913	127,751
Total expenditures	134,824	156,465	1,450	292,739	282,335
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,872)	(99,797)	149,246	35,577	63,656
OTHER FINANCING SOURCES (USES):					
Operating transfers in	43,000	115,000	-	158,000	316,775
Operating transfers out	-	-	(158,000)	(158,000)	(316,775)
Total other financing sources (uses)	43,000	115,000	(158,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	29,128	15,203	(8,754)	35,577	63,656
FUND BALANCE, BEGINNING OF YEAR	161,100	164,105	240,491	565,696	502,040
FUND BALANCE, END OF YEAR	\$ 190,228	\$ 179,308	\$ 231,737	\$ 601,273	\$ 565,696

VILLAGE OF ONTONAGON
ENTERPRISE FUNDS
BALANCE SHEETS
March 31, 2005
With Comparative Totals at March 31, 2004

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2005	2004
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 29,128	\$ 110,878	\$ 140,006	\$ 279,212
Accounts receivable	6,793	102,658	109,451	139,588
Due from other funds	-	1,096	1,096	47,984
Due from component unit	-	-	-	525
Total current assets	35,921	214,632	250,553	467,309
Restricted cash	210,943	590,580	801,523	386,218
Property, plant, and equipment	7,889,047	18,003,567	25,892,614	25,810,196
Accumulated depreciation & amortization	(1,954,292)	(1,554,758)	(3,509,050)	(2,993,393)
	5,934,755	16,448,809	22,383,564	22,816,803
TOTAL ASSETS	\$ 6,181,619	\$ 17,254,021	\$ 23,435,640	\$ 23,670,330
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,977	\$ 9,080	\$ 11,057	\$ 25,029
Retainage payable	-	-	-	266,747
Accrued expenses	10,739	7,940	18,679	18,937
Customer deposits	-	5,695	5,695	7,751
Due to other funds	555	-	555	102,553
Due to other governmental units	-	-	-	64
Current maturities on long term debt	65,000	180,000	245,000	136,000
Total current liabilities	78,271	202,715	280,986	557,081
Long-term liabilities:				
Bonds payable	3,007,000	7,015,000	10,022,000	10,327,000
TOTAL LIABILITIES	3,085,271	7,217,715	10,302,986	10,884,081
FUND EQUITY:				
Contributed capital	2,890,768	9,833,530	12,724,298	12,613,224
Retained earnings:				
Reserved	210,943	508,023	718,966	386,153
Unreserved - Undesignated	(5,363)	(305,247)	(310,610)	(213,128)
Total retained earnings	205,580	202,776	408,356	173,025
TOTAL FUND EQUITY	3,096,348	10,036,306	13,132,654	12,786,249
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,181,619	\$ 17,254,021	\$ 23,435,640	\$ 23,670,330

VILLAGE OF ONTONAGON
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
March 31, 2005
With Comparative Totals at March 31, 2004

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2005	2004
OPERATING REVENUES:				
Sales and charges for services	\$ 81,137	\$ 994,943	\$ 1,076,080	\$ 913,229
Fines, forfeitures, and penalties	2,980	7,003	9,983	9,747
Other revenue	-	429,487	429,487	334,613
TOTAL OPERATING REVENUES	84,117	1,431,433	1,515,550	1,257,589
EXPENSES:				
Salaries, wages, and fringe benefits	49,364	237,922	287,286	315,117
Supplies, materials, and other	1,363	63,987	65,350	63,099
Repair and maintenance	-	10,593	10,593	4,172
Insurance	2,500	56,200	58,700	25,855
Utilities	22,603	55,607	78,210	121,827
Other services and support	11,172	309,286	320,458	224,388
Depreciation	154,804	360,853	515,657	503,728
TOTAL OPERATING EXPENSES	241,806	1,094,448	1,336,254	1,258,186
OPERATING INCOME (LOSS)	(157,689)	336,985	179,296	(597)
NON-OPERATING REVENUES (EXPENSES):				
Loss on disposal of assets	-	-	-	48,830
Interest income	2,727	3,709	6,436	7,856
Interest expense	(131,749)	(251,678)	(383,427)	(282,950)
Operating transfers out	-	-	-	60,000
Operating transfers in	195,000	-	195,000	195,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	65,978	(247,969)	(181,991)	188,924
NET INCOME (LOSS)	(91,711)	89,016	(2,695)	(189,521)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	244,570	(71,545)	173,025	158,051
ADJUSTMENTS TO FUND EQUITY:				
Add depreciation on fixed assets acquired with new capital	52,721	185,305	238,026	204,495
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 205,580	\$ 202,776	\$ 408,356	\$ 173,025

VILLAGE OF ONTONAGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended March 31, 2005

	Enterprise Funds		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 85,326	\$ 1,028,818	\$ 1,114,144
Payments to suppliers	(32,146)	(778,110)	(810,256)
Internal activity -- receipts (payments) to other funds	(3,774)	0	(3,774)
Payments to employees	(49,658)	(237,886)	(287,544)
Other receipts (payments)	0	429,487	429,487
Net cash provided by operating activities	(252)	442,309	442,057
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	104,914	0	104,914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	0	349,100	349,100
Purchases of capital assets	0	(46,917)	(46,917)
Principal paid on capital debt	(64,000)	(132,000)	(196,000)
Interest paid on capital debt	(131,749)	(251,678)	(383,427)
Net cash (used) by capital and related financing activities	(195,749)	(81,495)	(277,244)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	2,727	3,709	6,436
Net cash provided by investing activities	2,727	3,709	6,436
Net (decrease) in cash and cash equivalents	(88,360)	364,523	276,163
	328,431	336,935	665,366
	<u>\$ 240,071</u>	<u>\$ 701,458</u>	<u>\$ 941,529</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (157,689)	\$ 336,985	\$ 179,296
Adjustments to reconcile operating income to net cash provided			0
(used) by operating activities:			0
Depreciation expense	154,804	360,853	515,657
Change in assets and liabilities			0
Receivables, net	1,209	28,928	30,137
Accounts and other payables	1,718	(284,493)	(282,775)
Accrued Expenses	(294)	36	(258)
Net cash provided by operating activities	<u>\$ (252)</u>	<u>\$ 442,309</u>	<u>\$ 442,057</u>

VILLAGE OF ONTONAGON
EQUIPMENT FUND
BALANCE SHEETS
March 31, 2005
With Comparative Totals at March 31, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 315,027	\$ 209,523
Due from other funds	-	49,872
Property, plant, and equipment	1,168,591	1,145,091
Accumulated depreciation & amortization	<u>(827,839)</u>	<u>(733,554)</u>
TOTAL ASSETS	<u>\$ 655,779</u>	<u>\$ 670,932</u>
LIABILITIES:		
Accounts payable	\$ 11,248	\$ 2,120
Accrued expenses	186	-
Due to other funds	801	5,832
Due to component unit	-	862
Notes payable	<u>38,520</u>	<u>42,520</u>
Total liabilities	<u>50,755</u>	<u>51,334</u>
FUND EQUITY:		
Contributed capital	248,780	248,780
Retained earnings	<u>356,244</u>	<u>370,818</u>
Total fund equity	<u>605,024</u>	<u>619,598</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 655,779</u>	<u>\$ 670,932</u>

VILLAGE OF ONTONAGON
EQUIPMENT FUND
DETAIL STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2005
With Comparative Actual Amounts for Year Ended March 31, 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Equipment rental	\$ 166,824	\$ 164,003
EXPENSES:		
Salaries, wages, and fringe benefits	23,709	22,719
Supplies, materials, and other	16,007	19,787
Repair and maintenance	30,887	16,920
Insurance	488	1,746
Utilities	14,919	12,336
Other services and support	550	525
Capital outlay	-	-
Depreciation	94,285	89,857
Total expenses	<u>180,845</u>	<u>163,890</u>
OPERATING INCOME	<u>(14,021)</u>	<u>113</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,372	857
Interest expense	(1,925)	(2,091)
Operating transfers in	-	60,000
Total non-operating revenues (expenses)	<u>(553)</u>	<u>58,766</u>
NET INCOME (LOSS)	(14,574)	58,879
RETAINED EARNINGS, BEGINNING OF YEAR	<u>370,818</u>	<u>311,939</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 356,244</u>	<u>\$ 370,818</u>

DEBT SCHEDULES

VILLAGE OF ONTONAGON – DEBT SCHEDULES
LONG-TERM DEBT ACCOUNT GROUP

1998 Loan of Federal Funds - Payable to Michigan Jobs Commission

Date of Loan: 1998
Purpose: Renaissance Zone Industrial Park

Original Loan Amount: \$315,000
Interest Rate: Not less than 5%
Term: Maximum term - 20 years with no interest in the first 5 years. Interest begins to accrue in the 4th year. The debt (up to 90%) will be forgiven at the rate of \$20,000 per job created by the project.

The remaining (maximum) repayment of interest and principal summarized by year is as follows:

Year Ended March	Interest	Principal	Total
2003	\$ 0	\$ 0	\$ 0
2004	0	0	0
2005	15,750	0	15,750
2006	15,750	14,598	30,348
2007	15,021	15,327	30,348
2008	14,254	16,094	30,348
2009	13,449	16,899	30,348
2010	12,604	17,744	30,348
2011	11,717	18,631	30,348
2012	10,786	19,562	30,348
2013	9,807	20,541	30,348
2014	8,780	21,568	30,348
2015	7,702	22,646	30,348
2016	6,570	23,778	30,348
2017	5,381	24,967	30,348
2018	4,132	26,216	30,348
2019	2,822	27,526	30,348
2020	1,445	28,903	30,348
	<u>\$ 155,970</u>	<u>\$ 315,000</u>	<u>\$ 470,970</u>

VILLAGE OF ONTONAGON – DEBT SCHEDULES
ENTERPRISE FUNDS

1996 Sanitary Sewage Disposal System Revenue Bonds

Date of Loan:	October 2, 1996	Original Loan Amount:	\$3,000,000
Interest Rate:	4.5%	Term:	40 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2003	\$ 35,000	\$ 64,103	\$ 63,315	\$ 162,418
2004	37,000	63,315	62,527	162,842
2005	39,000	62,528	61,695	163,223
2006	40,000	61,695	60,817	162,512
2007	42,000	60,818	59,917	162,735
2008	44,000	59,918	58,972	162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018	68,000	48,353	46,890	163,243
2019	70,000	46,890	45,360	162,250
2020	74,000	45,360	43,785	163,145
2021	78,000	43,785	42,120	163,905
2022	80,000	42,120	40,365	162,485
2023	83,000	40,365	38,565	161,930
2024	87,000	38,565	36,698	162,263
2025	92,000	36,698	34,740	163,438
2026	95,000	34,740	32,670	162,410
2027	100,000	32,670	30,533	163,203
2028	104,000	30,533	28,283	162,816
2029	110,000	28,283	25,943	164,226
2030	115,000	25,943	23,468	164,411
2031	120,000	23,468	20,880	164,348
2032	125,000	20,880	18,180	164,060
2033	130,000	18,180	15,366	163,546
2034	136,000	15,366	12,442	163,808
2035	142,000	12,443	9,382	163,825
2036	149,000	9,383	6,187	164,570
2037	155,000	6,188	-	161,188
	<u>\$ 2,843,000</u>	<u>\$ 1,463,948</u>	<u>\$ 1,399,832</u>	<u>\$ 5,706,780</u>

VILLAGE OF ONTONAGON – DEBT SCHEDULES
ENTERPRISE FUNDS

1997 Sanitary Sewage Disposal System Revenue Bonds

Date of Loan:	June 26, 1997	Original Loan Amount:	\$493,143
Interest Rate:	2.25%	Term:	20 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2003	\$ 4,648	\$ 4,648	\$ 20,000	\$ 29,296
2004	4,423	4,423	25,000	33,846
2005	4,141	4,141	25,000	33,282
2006	3,860	3,860	25,000	32,720
2007	3,579	3,579	25,000	32,158
2008	3,298	3,298	25,000	31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 40,805</u>	<u>\$ 40,805</u>	<u>\$ 410,000</u>	<u>\$ 491,610</u>

VILLAGE OF ONTONAGON – DEBT SCHEDULES
ENTERPRISE FUNDS

2004 Water Bonds - Michigan Municipal Bond Authority

Date of Loan:	June 24, 2004	Original Loan Amount:	\$7,370,000.
Interest Rate:	2.125%	Term:	30 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2005	\$ 0	\$ 36,972	\$ 175,000	\$ 211,972
2006	76,434	76,434	180,000	332,868
2007	74,522	74,522	185,000	334,044
2008	72,557	72,557	190,000	335,114
2009	70,538	70,538	195,000	336,076
2010	68,466	68,466	200,000	336,932
2011	66,341	66,341	200,000	332,682
2012	64,216	64,216	205,000	333,432
2013	62,038	62,038	210,000	334,076
2014	59,807	59,807	215,000	334,614
2015	57,522	57,522	220,000	335,044
2016	55,185	55,185	225,000	335,370
2017	52,794	52,794	230,000	335,588
2018	50,350	50,350	235,000	335,700
2019	47,854	47,854	240,000	335,708
2020	45,304	45,304	245,000	335,608
2021	42,700	42,701	250,000	335,401
2022	40,044	40,044	255,000	335,088
2023	37,335	37,335	260,000	334,670
2024	34,572	34,572	265,000	334,144
2025	31,757	31,757	270,000	333,514
2026	28,888	28,888	275,000	332,776
2027	25,966	25,966	285,000	336,932
2028	22,938	22,938	290,000	335,876
2029	19,857	19,857	295,000	334,714
2030	16,722	16,722	300,000	333,444
2031	13,535	13,535	310,000	337,070
2032	10,241	10,241	315,000	335,482
2033	6,894	6,894	320,000	333,788
2034	3,494	3,494	330,000	336,988
TOTALS	\$ 1,258,871	\$ 1,295,844	\$ 7,370,000	\$ 9,924,715

FEDERAL AWARDS PROGRAMS



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

We have audited the financial statements of the Village of Ontonagon as of and for the year ended March 31, 2005, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Ontonagon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ontonagon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

September 7, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

Compliance

We have audited the compliance of the Village of Ontonagon with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Village of Ontonagon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Ontonagon's management. Our responsibility is to express an opinion on the Village of Ontonagon's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Ontonagon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Ontonagon's compliance with those requirements.

In our opinion, the Village of Ontonagon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of the Village of Ontonagon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Ontonagon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

September 7, 2005

VILLAGE OF ONTONAGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended March 31, 2005

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development - State Programs Pass-through programs from:		
State of Michigan - Grant project - MSC-201057	14.228	<u>\$ 857,695</u>
Total expenditures of federal awards		<u><u>\$ 857,695</u></u>

VILLAGE OF ONTONAGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended March 31, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development - State Programs	14.228
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS - No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - No matters were reported.

VILLAGE OF ONTONAGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2005

NOTE A - OVERSIGHT AGENCY

The U.S. Department of Housing and Urban Development - State Programs is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Village's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.



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COMMENTS AND RECOMMENDATIONS LETTER

Honorable President and Members of the Village Council
Village of Ontonagon
Ontonagon, Michigan

In connection with our audit of the financial statements of the Village of Ontonagon, Michigan, for the year ended March 31, 2005, the following concerns regarding the accounting records, procedures, and internal accounting control structure came to our attention and are presented for your consideration.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures.

Insured Deposits

We noted approximately forty-four percent (44%) of the Village's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

We would like to thank the administrative staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended solely for the use of management and the governmental regulatory agencies and should not be used for any other purposes.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

September 7, 2005